

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	No. CR-H-04-25(S-2)
)	
RICHARD A. CAUSEY,)	
)	
Defendant.)	
_____)	

PLEA AGREEMENT

Pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the United States Department of Justice by the Enron Task Force (“the Department”) and Richard A. Causey (“Defendant”) agree to the following:

1. Defendant will plead guilty to Count 19 of the Superseding Indictment, charging him with securities fraud, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, Title 15 United States Code, 78j(b) and 78ff. Defendant agrees that he is pleading guilty because he is guilty, and that the facts contained in Exhibit A (attached and incorporated herein) are true and supply a factual basis for his plea. At the time the offenses were committed by the Defendant, the offense of securities fraud carried the following statutory penalty:

Count 19 - Securities Fraud

- a. Maximum term of imprisonment: 10 years
(17 C.F.R. § 240.10b-5, Title 15 U.S.C. 78j(b) and 78ff)
- b. Minimum term of imprisonment: 0 years
(17 C.F.R. § 240.10b-5, Title 15 U.S.C. 78j(b) and 78ff)
- c. Maximum supervised release term: 3 years, to follow any term of

imprisonment; if a condition of release is violated, Defendant may be sentenced to up to two years without credit for pre-release imprisonment or time previously served on post-release supervision (18 U.S.C. §§ 3583 (b) & (e))

- d. Maximum fine: \$1,000,000 or twice the gain/loss (18 U.S.C. § 3571(b)(3))
- e. Restitution: As determined by the Court pursuant to statute. (18 U.S.C. §§ 3663 and 3663A)
- f. Special Assessment: \$100 (18 U.S.C. § 3013)

Sentencing Guidelines

2. The defendant understands that, in imposing the sentence, the Court will be guided by the United States Sentencing Guidelines (the “Guidelines”). The defendant understands that the Guidelines are advisory, not mandatory, but that the Court must consider the Guidelines in determining a reasonable sentence. The Department and the Defendant agree that the applicable Sentencing Guideline range exceeds 84 months.

3. Pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the Defendant and the Department agree to ask the Court to impose an agreed-upon sentence of 84 months incarceration and to order forfeiture in the amount of \$1,250,000.00. The Defendant and the Department agree that if the Court refuses to accept the plea agreement with this agreed-upon sentence, the agreement will be null and void. The Defendant agrees that he will not seek a sentence below 84 months incarceration, and Defendant understands that except under the circumstances described in paragraph 4 below, the Court will be required to impose a sentence of 84 months and to order the agreed-upon forfeiture amount, or the plea agreement will be null and void.

4. If the Defendant provides truthful, complete, and accurate information to the Department, then the Department in its sole and exclusive discretion may move the Court, pursuant to Sentencing Guideline Section 5K1.1 and 18 U.S.C. § 3553(e), to depart downward from the 84-month agreed-upon sentence set forth in paragraph 3. Defendant understands and agrees that under the terms of this Agreement and Rule 11(c)(1)(C) and regardless of any such motion that the Department may make, Defendant cannot and will not be sentenced to a period of incarceration of less than 60 months. Defendant further agrees that he will not move for a downward departure on any grounds and that no such grounds are applicable.

5. The parties further agree that the Defendant's forfeiture of \$1,250,000.00 in criminal proceeds and his agreement to relinquish any claim he may have to deferred compensation, as described in paragraphs 11 and 12 below, fully satisfies the forfeiture, fine, and restitution provisions of the sentencing laws and Guidelines.

Waiver of Rights

6. If the Court accepts the plea agreement pursuant to Rule 11(c)(1)(C) and sentences Defendant to the agreed-upon sentence as set forth in paragraphs 3, 4, and 5, Defendant will not file an appeal or collaterally attack his conviction, guilty plea, or sentence.

7. Defendant waives all defenses based on venue (but reserves the right to request a change of venue if his plea is vacated or plea withdrawn), speedy trial under the Constitution and Speedy Trial Act, and the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed, in the event that (a) Defendant's conviction is later vacated for any reason, (b) Defendant violates any provision of this Agreement, or (c) Defendant's plea is later withdrawn.

8. Defendant understands that by pleading guilty he is waiving important rights including: (a) the right to persist in his previously entered plea of not guilty; (b) the right to a jury trial with respect to guilt or sentencing; (c) the right to be represented by counsel - and if necessary to have the court appoint counsel to represent him - at trial and at every other stage of the proceedings; (d) the right at trial to confront and cross-examine adverse witnesses, to be protected from compelled self-incrimination, to testify and present evidence, and to compel the attendance of witnesses; and (e) the right to additional discovery and disclosures from the Department. Defendant waives any right to additional disclosure from the Department in connection with his guilty plea.

Defendant's Obligations

9. Defendant agrees not to accept remuneration or compensation of any sort, directly or indirectly, for the dissemination through books, articles, speeches, interviews, or any other means, of information regarding his work at Enron or the investigation or prosecution of any civil or criminal cases against him.

Forfeiture and Monetary Penalties

10. Defendant agrees to pay the special assessment of \$100.00 by check payable to the Clerk of the Court at or before sentencing. 18 U.S.C. § 3013(a)(2)(A); U.S.S.G. § 5E1.3.

11. Defendant agrees to forfeit to the government \$1,250,000.00, to be satisfied from funds located within Wachovia Securities Account 2005-0471, which contains sufficient funds for this purpose and which constitutes proceeds of the offense to which Defendant will plead guilty pursuant to this Agreement. Defendant warrants that he and his wife, Elizabeth A. Causey, are the sole owners of all property listed above, and they agree to hold the United States, its

agents and employees harmless from any claims whatsoever in connection with the seizure or forfeiture of property covered by this agreement. Defendant further agrees to waive all interest in the amount listed above for forfeiture in any administrative or judicial forfeiture proceeding, whether criminal or civil, state or federal. Defendant's wife, Elizabeth A. Causey, also agrees to waive her right, title, and interest in the Wachovia Securities Account 2005-0471 up to and including the forfeiture amount, and her execution of the attached Stipulation and Waiver is a condition precedent of this Agreement. Defendant agrees to consent to the entry of orders of forfeiture for such property and waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. Defendant acknowledges that he understands that the forfeiture of assets is part of the sentence that may be imposed in this case and waives any failure by the court to advise him of this, pursuant to Rule 11(b)(1)(J), at the time his guilty plea is accepted. Defendant further agrees to waive all constitutional and statutory challenges in any manner (including direct appeal, habeas corpus, or any other means) to any forfeiture carried out in accordance with this agreement on any grounds, including that the forfeiture constitutes an excessive fine or punishment. Defendant agrees to take all steps as requested by the United States to pass clear title to the forfeitable assets to the United States, and to testify truthfully in any related judicial proceeding. Defendant agrees not to seek a refund from the United States Treasury of the amount that he paid in taxes in connection with the receipt of \$1,250,000.00 in proceeds from the offense to which he will plead guilty, and waives his right, title, and interest to the taxes paid on that amount.

12. Defendant further agrees to relinquish any claim he may have to deferred

compensation, severance, or any other form of payment related to his employment by Enron or any related entity.

The Department's Obligations

13. The Department agrees that, except as provided for in this Agreement, no further criminal charges will be brought against Defendant for any act or offense in which he engaged in his capacity as an officer and/or employee of Enron Corporation, or arising out of such employment, and the Department will move after sentencing to dismiss the remaining counts of the Superseding Indictment against him with prejudice.

14. The Department further agrees that no statements made by Defendant during any debriefing meetings with the Department will be used against him in any criminal proceedings instituted by the Department, except as provided in paragraphs 1, 3, 4, and 5.

Hyde Amendment Waiver

15. Defendant agrees that with respect to all charges contained in the Superseding Indictment in the above-captioned action, he is not a "prevailing party" within the meaning of the "Hyde Amendment," Section 617, PL 105-119 (Nov. 26, 1997), and will not file any claim under that law.

Scope

16. This Agreement does not bind any federal, state, or local prosecuting authority other than the Department, and does not prohibit the Department or any other department, agency, or commission of the United States from initiating or prosecuting any civil, administrative, or tax proceedings directly or indirectly involving Defendant.

Complete Agreement

17. No promises, agreements or conditions have been entered into by the parties other than those set forth in this Agreement and none will be entered into unless memorialized in writing and signed by all parties. This Agreement supersedes any prior promises, agreements, or conditions between the parties, including any written proffer agreements. To become effective, this Agreement must be signed by all signatories listed below and in the addenda.

Dated: Houston, Texas
December ___, 2005

SEAN BERKOWITZ
Director, Enron Task Force

By: _____
Kathryn Ruemmler
Deputy Director, Enron Task Force

ADDENDUM FOR DEFENDANT CAUSEY

I have consulted with my attorneys and fully understand all my rights with respect to the Superseding Indictment filed by the United States Department of Justice. I have consulted with my attorneys and fully understand all my rights with respect to the provisions of the U.S. Sentencing Commission's Guidelines Manual which, although not binding on the Court, may apply in my case. I have read this Agreement and carefully reviewed every part of it with my attorneys. No promises have been made to me by the Department except as set forth in this Agreement. I understand this Agreement and I voluntarily agree to it.

Richard A. Causey
Defendant

Date

ADDENDUM FOR DEFENSE COUNSEL

I have fully explained to Defendant Richard A. Causey his rights with respect to the Superseding Indictment, Cr. No. H-04-25 (S-2). I have reviewed the provisions of the U.S. Sentencing Commission's Guidelines Manual and I have fully explained to Defendant the provisions of those Guidelines which, although not binding on the Court, may apply in this case. I have carefully reviewed every part of this Agreement with Defendant. To my knowledge, Defendant's decision to enter into this Agreement is an informed and voluntary one.

Reid Weingarten, Esq.
Attorney for Defendant Causey

Date

Mark Hulkower, Esq.
Attorney for Defendant Causey

Date

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Cr. No. H-04-25 (S-2)
)	
RICHARD A. CAUSEY,)	
)	
Defendant.)	
_____)	

SENTENCE DATA SHEET

DEFENDANT: Richard A. Causey

CRIMINAL NO: H-04-25 (S-2)

GUILTY PLEA: Count 19 (Securities Fraud) (15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R. §§ 240.10b-5 and 240.10b5-1)

SUBSTANCE OF AGREEMENT: Pursuant to Fed. R. Crim. P. 11(c)(1)(C), Defendant will plead guilty to Count 19 of the Superseding Indictment charging him with securities fraud. The parties agree that, absent truthful cooperation as described in paragraph 4 above, the defendant shall be sentenced to 84 months incarceration. If the defendant provides full, complete and truthful cooperation, the Department in its sole discretion may move the Court for a downward departure pursuant to 5K1.1. If the Department files such motion, the parties agree that Defendant cannot and will not be sentenced below 60 months. If the Court does not give a sentence consistent with the parties' agreement, the plea agreement is null and void.

COUNT 19: Securities Fraud

ELEMENTS: 1) Defendant knowingly made, or assisted another in making, an untrue statement of material fact, or omitted to state a material fact necessary in order to make the statements made not misleading;

2) Defendant did so in connection with the purchase or sale of securities;

3) In connection with this purchase or sale of securities, defendant or those he assisted made use of or caused the use of any means or instrumentality of interstate commerce, or of the mails, or any facility or any national securities exchange; and

4) Defendant acted with the intent to defraud.

PENALTY: Imprisonment not to exceed 10 years and a fine not to exceed \$1,000,000 or twice the gross gain or loss. 15 U.S.C. §§ 78j(b) and 78ff; 18 U.S.C. § 3571(d). Supervised release after imprisonment of not more than 3 years. 18 U.S.C. §§ 3559(a)(4) and 3583(b)(2).

SENTENCING
GUIDELINES: Advisory

SPECIAL
ASSESSMENT: \$100. 18 U.S.C. § 3013(a)(2)(A).

ATTACHMENT: Plea Agreement

DEFENDANT
WAIVED HIS
RIGHT TO
APPEAL: Yes.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	Cr. No. H-04-25 (S-2)
	§	(Lake, J.)
RICHARD A. CAUSEY,	§	
	§	
Defendant.	§	
_____	§	

Exhibit A to Plea Agreement

The following factual statement made by defendant Richard A. Causey is submitted to provide a factual basis for my plea of guilty to Count Nineteen (securities fraud) of the above captioned Superseding Indictment, charging me with securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

1. I was the Chief Accounting Officer (“CAO”) of Enron Corporation (“Enron”) from 1998 through Enron’s bankruptcy in December 2001. While CAO, I and other members of Enron’s senior management fraudulently misled investors and others about the true financial position of Enron in order to inflate artificially the price of Enron’s stock.

2. More specifically, I conspired with members of Enron’s senior management to make false and misleading statements, in Enron’s filings with the Securities and Exchange Commission (“SEC”) and in analyst calls, about the financial condition of Enron, which did not fairly and accurately reflect Enron’s actual financial condition and performance as I knew it.

3. Certain of the conduct, for which I accept responsibility, is detailed below.

False and Misleading Statements in SEC Filings

4. Along with others in senior management, I was responsible for the preparation and drafting of the financial statements that were included in Enron’s annual reports filed with the SEC on Form 10-K and its quarterly reports on Form 10-Q. I, along with others in senior management, were responsible for ensuring that the financial statements contained in Enron’s public filings fairly presented Enron’s true financial condition. The financial statements were required to include a section entitled Management, Discussion and Analysis (“MD&A”), which required, among other things, that management disclose information necessary to an understanding of Enron’s financial condition and results of operations. I reviewed drafts of Enron’s quarterly and annual reports, and I signed these reports attesting to their accuracy. As set forth below, I participated along with others in Enron’s senior management in efforts to use Enron’s public filings and public statements to mislead the investing public about the true nature

of Enron's financial performance by making false and misleading statements, and omitting facts necessary to make certain statements not misleading.

5. For example, in the first quarter of 2000, Enron recorded \$85 million in earnings from a partnership interest it held in a vehicle named JEDI, which held Enron stock. I and others reported these earnings as recurring earnings from operations when, as I and others knew, the earnings in fact came from a dramatic increase in Enron's stock price resulting from positive investor reaction to Enron's January 20, 2000 analyst conference. I and others understood that it would have been material information to investors and analysts that a significant portion of Enron's reported earnings from its Assets and Investments business came solely from an increase in its own stock price. I and others misled investors by describing the earnings as coming from the strong performance of Enron's portfolio of energy related and other investments. I and others intentionally failed to disclose the true nature of the earnings and the fact that Enron management was taking large positions in Enron stock.

6. Another example concerns disclosures in 2001 relating to Enron's retail business, Enron Energy Services ("EES"). During the first quarter of 2001, I became aware that EES had incurred hundreds of millions of dollars in losses resulting from California regulatory actions and the identification of significant valuation errors in EES contracts. These losses were in excess of EES's targeted earnings for the entire year of 2001. I understood that EES had been promoted by Enron management as a growth segment of the company that was a major contributor to Enron's stock price. I and others in senior management believed that had these losses been disclosed to Enron's shareholders and the analyst community, the reaction would have been severely negative and the stock price would have declined.

7. I and others in senior management made a decision to move the risk management function of EES into another business unit, Enron Wholesale Services ("EWS"). This reorganization allowed us to avoid reporting the losses in EES's results so that I and others in senior management could continue to tout EES as a growing and successful business. I and others in management intentionally failed to disclose to the investing public any reference to EES's losses, which we knew was material information.

8. On April 17, 2001, Enron issued its earnings release for its first quarter 2001 results, a copy of which I reviewed. I and others reported to Enron's shareholders and the investing public that EES had earned \$40 million in recurring IBIT for the first quarter of 2001. We did not disclose that EES had in fact incurred hundreds of millions of dollars in losses during the first quarter of 2001 that through an accounting change we had concealed in EWS. By failing to disclose the true performance of EES, I and others intentionally misled Enron's shareholders and the investing public.

10-Q for the First Quarter 2001

9. On or about May 15, 2001, Enron filed its Form 10-Q, which I reviewed and

signed. While the 10-Q disclosed the transfer of risk management functions, the 10-Q did not disclose the losses that EES would otherwise have incurred, which was required in order to fairly present to Enron's shareholders and the investing public Enron's true financial condition. This information was material and would have been important to a reasonable investor. I and others in senior management failed to include this information in Enron's 10-Q because we were concerned that disclosing such information would have a negative effect on Enron's stock price.

10. On or about May 15, 2001, within the Southern District of Texas, Enron filed via electronic transmission its Form 10-Q for the first quarter 2001, with the Securities and Exchange Commission. As set forth above, in connection with Enron's Form 10-Q for the first quarter 2001, a copy of which I signed, I and others in Enron senior management did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron securities.

11. I understood that my conduct and the conduct of those with whom I conspired would have a material effect on Enron's financial statements which Enron shareholders and potential shareholders relied upon in making investment decisions. Enron's stock was traded on the New York Stock Exchange. I also understood that interstate wire transmissions, including fax transmissions, email and telephone calls, would be used and were used in furtherance of the scheme. Specifically, I knew that Enron's annual and quarterly reports were filed with the SEC via interstate wire transmissions.

12. The preceding is a summary of facts that make me guilty, which I make for the purpose of providing the Court with a factual basis for my guilty plea to Count 19 of the Superseding Indictment. It does not include all of the facts known to me concerning criminal activity in which I and other members of Enron senior management engaged. I make this statement knowingly and voluntarily because I am in fact guilty of the crime charged.

Richard A. Causey
Defendant

December ____, 2005

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	No. CR-H-04-25(S-2)
)	
RICHARD A. CAUSEY,)	
)	
Defendant.)	
_____)	

STIPULATION AND WAIVER

1. I, Elizabeth A. Causey, hereby agree to waive all right, title, and interest I have in \$1,250,000 of the assets in Wachovia Securities Account 2005-0471 ("Forfeited Assets") which is held in the name of Richard and Elizabeth Causey.

2. I warrant that I and/or my husband, Richard A. Causey, are the sole owners of all of the Forfeited Assets, and agree to hold the United States, its agents and employees harmless from any claims whatsoever in connection with the seizure or forfeiture of the Forfeited Assets.

3. I acknowledge that, pursuant to paragraphs 5 and 11 of the plea agreement in United States v. Causey, Cr.-H-04-25 (S-2), Richard Causey has acknowledged that the criminal activities to which he is pleading guilty resulted in \$1.25 million in criminal proceeds, which are located within the Wachovia account referenced above. The Wachovia account contains money in excess of \$1,250,000, and I understand that only \$1,250,000 will be forfeited. I agree to relinquish any and all right, title, and interest I may have in the Forfeited Assets, and agree that

such right, title and interest can be forfeited to the United States, without further notice to me. I also agree to execute and record any and all documents necessary to transfer the Forfeited Assets to the United States as part of a forfeiture judgment.

4. In addition, I agree to waive all right, title and interest I may have in any claim that my husband, Richard Causey, may have for deferred compensation, severance, or any other form of payment related to his employment at Enron or any related entity. In understand that Richard Causey has waived any interest in such a claim as well pursuant to paragraph 12 of his Plea Agreement.

5. I make this stipulation and waiver knowingly and voluntarily.

AGREED AND CONSENTED TO:

Elizabeth A. Causey

Dated: December ____, 2005